

Message Text

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C O N F I D E N T I A L LIMA 1821

EO 11652: GDS

TAGS: ENRG, EINV, PFOR, PE

SUBJECT: PERUVIAN OIL- STATUS OF JUNGLE DRILLING AND
FUTURE PROSPECTS

REF: LIMA A-146 OF JUNE 20, 1974

1. ANTONIO TORD, VICE MINISTER OF ENERGY AND MINES, RECENTLY EXPLAINED TO EMBASSY OFFICERS THAT HIS MINISTRY IS CONVINCED THAT OCCIDENTAL AND PETROPERU RESERVES FULLY JUSTIFY CONSTRUCTION OF THE TRANS-ANDEAN PIPELINE. (EACH HAS 300 MILLION IN PROVED RESERVES.) FORD SAID GOP EXPECTS SEVERAL FOREIGN COMPANIES PRESENTLY DRILLING IN THE JUNGLE TO FINISH DRILLING THEIR MANDATORY FOUR HOLES THIS YEAR AND GO HOME (HE MENTIONED UNION AND BP). HE CLAIMED NOT TO BE CONCERNED BY THIS SINCE GETTY (AND ONE OR TWO OTHERS) POSSESS GOOD POTENTIAL.

2. TORD SAID PERU'S INITIAL PETROLEUM GOAL, DURING THE 1976-78 PERIOD, WILL BE MERELY TO BECOME SELF-SUFFICIENT, I.E., TO PRODUCE 40,000 B/D MORE THAN AT PRESENT. IN 1978, PERU WILL BEGIN PAYING BACK THE JAPANESE LOAN, 50,000 B/D IN ADDITION. BY 1978, THE OXY SPUR WILL BE IN OPERATION AND THUS THE OVERALL FEASIBILITY OF THE
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PIPELINE IS ASSURED. HE EMPHASIZED REGARDING THESE

POINTS THAT PERU'S MEDIUM-TERM GOAL IS SELF-SUFFICIENCY AND REPAYMENT OF PIPELINE CONSTRUCTION COSTS, BUT HE DOES NOT EXPECT PERU TO POSSESS SUFFICIENT PETROLEUM EXPORTS DURING THIS PERIOD TO GENERATE SUBSTANTIAL FOREIGN EXCHANGE.

3. ALTHOUGH HIS MINISTRY IS UNDER PRESSURE FROM PETROPERU TO SIGN NEW PERU MODEL EXPLORATION CONTRACTS IN THE COAST AND JUNGLE, TORD EXPLAINED THAT NO NEW CONTRACTS WILL BE SIGNED UNTIL 1978 AT THE EARLIEST. HE ASSERTED THERE ARE TWO REASONS FOR THIS POLICY: FIRST, IT IS NOT POSSIBLE TO ESTIMATE WITH ACCURACY THE FUTURE PRICE OF OIL AND, THUS, TO DECIDE THE AMORTIZATION PERIOD FOR NEW CONTRACTS; SECOND, THE MINISTRY WANTS PERTOPERU TO BECOME COMPLETELY SELF-SUFFICIENT IN FINANCING ITS OWN EXPLORATION PROGRAM WHICH RELIANCE ON FOREIGN COMPANIES TENDS TO POSTPONE.

4. COMMENT: TORD'S MOST SURPRISING AND POSSIBLE SIGNIFICANT COMMENT CONCERNS HIS LACK OF EMPHASIS ON OIL AS A MAJOR FUTURE FOREIGN EXCHANGE SOURCE. THIS VIEW MAY REFLECT HIS MINISTRY'S PREOCCUPATION WITH THE IMMEDIATE FINANCIAL PROBLEMS INVOLVED IN UNDERTAKING THE PIPELINE PROJECT, BUT COULD ALSO REFLECT KNOWLEDGE OF THE LITTLE INDICATION OF A MAJOR BONANZA IN THE OFFING. ON OTHER MATTERS, TORD ECHOED FERNANDEZ MALDONADO'S POLICY LINE THAT PERU NEEDS TO DEVELOP ITS PRESENT FIELDS BEFORE SEEKING FURTHER ASSISTANCE FROM FOREIGN COMPANIES. WHILE THE NEGATIVE PUBLICITY ATTENDING WITHDRAWAL OF FOREIGN PETROLEUM COMPANIES FROM PERU WILL UNDOUBTEDLY CAUSE THE GOP CONCERN, TORD'S CALM INSISTENCE THAT THE GOP FORESEES THE DEPARTURE OF SEVERAL COMPANIES THIS YEAR AS A DEVELOPMENT NOT TO BE TAKEN TOO SERIOUSLY, PROBABLY IS AN ACCURATE ASSESSMENT OF HIGHER-LEVEL GOP THINKING.
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